No. 95-298 AUG 21 1995

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IN THE SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1995

ABB ROBOTICS INC. AND
CINCINNATI MILACRON, INC.,

Petitioners,

v.

GMFanuc ROBOTICS CORPORATION,

Respondent.

Petition for a Writ of Certiorari to the
United States Court Of Appeals
for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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August 21, 1995

I. QUESTION PRESENTED

Is review by a U.S. Court of Appeals of a district court's grant of a motion for summary judgment made under a de novo or abuse of discretion standard?

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III. THE PETITION

ABB Robotics Inc.[1] and Cincinnati Milacron, Inc., respectfully petition the Supreme Court of the United States for a writ of certiorari to review, and thereafter vacate and remand, the judgment by the U.S. Court of Appeals for the Federal Circuit filed April 21, 1995, on the basis that such appellate court applied an incorrect standard --abuse of discretion-- in reviewing the district court's grant of a motion for summary judgment.

Recognizing the scarcity of this Court's temporal resources, petitioners do not seek review of the entirety of the judgment, only the standard of review applied by the Court of Appeals.

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[1] The parent of ABB Robotics Inc. is ASEA Brown Boveri AB. There are no subsidiaries.

Thereafter, petitioners seek vacation and remand with instructions that the Court of Appeals review the district court judgment on a plenary, de novo basis rather than the abuse of discretion standard it erroneously applied.

IV. ORDERS BELOW

The Order of the U.S. Court of Appeals for the Federal Circuit affirming the lower court's grant of summary judgment is reported at 52 F.3d 1062 and found in the Appendix at 1a to 12a. The Order of the U.S. District for the Eastern District of Wisconsin, which granted summary judgment, is reported at 828 F.Supp. 1386 and included in the Appendix at 13a to 83a, and its Decision and Order denying ABB's Motion to Alter or Amend is at 84a to 94a. The Court of Appeals' Order denying Petitioners' Petition for Rehearing declining the

Suggestion for Rehearing In Banc is appended at 95a to 96a. The Order denying Petitioners' Motion for Recall of Mandate is attached at 97a.

V. JURISDICTION

The Court of Appeals rendered its judgment on April 21, 1995. Appellants ABB Robotics et al. filed a timely Petition for Rehearing with Suggestion for Rehearing In Banc, which were denied and declined, respectively, on May 22, 1995. This Court has jurisdiction under 28 U.S.C. §1254(1) and Rule 13.1 of the Rules of this Court.

VI. CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

There are no apparent constitutional issues. The sole statute involved is 28 U.S.C. §1292(c)(2), which states that the U.S. Court of Appeals for the Federal Circuit shall have exclusive jurisdiction

of an appeal from a judgment in a civil action for patent infringement and which is final except for an accounting.

VII. STATEMENT OF THE CASE

On January 17, 1992, petitioners ABB Robotics Inc. and Cincinnati Milacron, Inc. (collectively "ABB") filed a patent infringement action against GMFanuc Robotics Corp. ("GMFanuc") in the United States District Court for the Eastern District of Wisconsin alleging patent infringement.

Issue having been joined, on October 6, 1992, GMFanuc filed a Motion for Summary Judgment of Laches and Estoppel. ABB opposed the motion and filed a cross-motion for an Order dismissing the affirmative defenses of laches and estoppel.

By Decision and Order entered August 11, 1993, (13a to 83a) the district court

granted Defendant's Motion for Summary Judgment and denied Plaintiffs' Cross-Motion. Within ten business days thereafter, on August 25, 1993, plaintiffs served a Motion Under Rule 59(e), F.R.Civ.P. to Alter or Amend the judgment. That motion was denied by a Decision and Order entered April 26, 1994. (84a to 94a).

Appeal to the U.S. Court of Appeals for the Federal Circuit was timely made on May 23, 1994.

The U.S. Court of Appeals for the Federal Circuit reviewed the district court's grant of summary judgment using an abuse of discretion standard. It held, "Being an equitable doctrine, estoppel is committed to the sound discretion of the trial judge, whose decision we review under the abuse of discretion standard." (4a) Accordingly,

the Court of Appeals applied an abuse of discretion standard to the elements of equitable estoppel it addressed. For example, regarding the first element of estoppel, misleading action, after referring extensively to findings of the lower court,[2] the panel concluded, "The district court's finding of misleading action was not an abuse of discretion." (7a, 8a)

Thus, the Court of Appeals treated the lower court's decision granting summary judgment as though it were some discretionary holding,[3] and improperly placed on petitioners the extreme burden

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[2] Such findings are per se improper. The lower court does not adjudicate facts on summary judgment; it determines whether there are facts to be adjudicated. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249, 106 S.Ct. 2505, 2511 (1986).

[3] Such as the grant of a motion for a preliminary injunction.

of showing not only that the district court was wrong, but that its error was of such a magnitude as to constitute an abuse of discretion.

Such standard of review was clear error -- indisputable[4] and incomprehensible.

VIII. REASONS FOR GRANTING THIS PETITION

The reasons for granting the writ are several:

(1) The decision conflicts with prior decisions of this Court;

(1) The decision conflicts with decisions from many other U.S. Courts of Appeals;

(3) The decision is in direct, indisputable conflict with other, substantially simultaneously rendered

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[4] Even respondent GMFanuc agreed in its Brief of Appellee that review is *de novo*. See 98a.

decisions of the same U.S. Court of Appeals for the Federal Circuit, and

(4) The decision so far departs from simple, textbook law that it calls for an exercise of this Court's power of supervision.

IX. ARGUMENT

A. Prior Supreme Court Decisions Require That Review By A Court Of Appeals Be Plenary And *De Novo*

While references are scant wherein the term *de novo* was used *in ipsissima verba*, this Court explicitly said in *Eastman Kodak Co. v. Image Technical Services, Inc.*, ___ U.S. ___, 112 S.Ct. 2072, 2081, n.10 (1992): "Recognizing that on summary judgment we may examine the record *de novo* without relying on the lower court's understanding, *United States v. Diebold, Inc.*, 369 U.S. 654, 655 ...."

In *United States v. Diebold, Inc.*, 369 U.S. 654, 655, 82 S.Ct. 993, 994 (1962), while this Court did not use the precise words *de novo*, it did indicate that it had examined the record anew, saying: "A study of the record in this light leads us to believe that inferences contrary to those drawn by the trial court might be permissible. The materials before the District Court having thus raised a genuine issue as to ultimate facts material to the rule of International Shoe Co. v. Federal Trade Comm'n., it was improper for the District Court to decide the applicability of the rule on a motion for summary judgment."

The same implication is inevitably drawn from the following quotes:

"After surveying the massive record, including the very significant evidence that the District Court erroneously had

excluded, the Court of Appeals concluded that the evidence taken as a whole creates a genuine issue of fact...." *Matsushita Electric Industrial Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 598, 599, 106 S.Ct. 1348, 1362, 89 L.Ed.2d 538 (1986), dissent, White, J.

"Our own scrutiny of the factual allegations of petitioner's complaint, as well as the material found in the affidavits and depositions presented by Kress to the District Court, however, convinces us that summary judgment was improper here...." *Adickes v. S.H. Kress and Co.*, 398 U.S. 144, 153, 90 S.Ct. 1598, 1606 (1970).

If this Court examines a "massive record" *de novo* to see if there is a genuine issue of material fact, so must a U.S. Court of Appeals.

B. The Other Courts of Appeals Apply The Plenary, *De Novo* Standard

Following are some recent decisions from the Circuits:

Gas Kwick, Inc. v. United Pacific Insurance Co., 58 F.3d 1536, ___ (11th Cir. July 21, 1995): "We review de novo, the district court's grant of a motion for summary judgment.[5]

Yang Machine Tool Co. v. Sea Land Service, Inc., 58 F.3d 1350, ____ (9th Cir. June 30, 1995): "A grant of summary judgment is reviewed de novo."

Federal Election Commission v. Colorado Republican Federal Campaign Committee, __ F.3d ___, 1995 WL 372934 (10th Cir. June 23, 1995): "We review de novo a district court's grant of summary judgment using the same legal standards

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[5] Reference citations are omitted in this and the following cases.

as the district court."

Heaton v. Moore, 43 F.3d 1176, 1179 (8th Cir. 1995): "We review a district court's order granting summary judgment de novo."

Gulf Island IV, Inc. v. Blue Streak-Gulf IS OPS, 24 F.3d 743, 745, 746 (5th Cir. 1994): "When a summary judgment is appealed, this Court evaluates a district court's decision to grant summary judgment by reviewing the record under the same standards that the district court applied to determine whether summary judgment was appropriate. * * * Therefore, the summary judgment will be affirmed only when this Court is 'convinced, after an independent review of the record, that "there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter of law.'"

Kunz v. United Food & Commercial Workers, 5 F.3d 1006, 1008 (6th Cir. 1993): "Appeals from grants of summary judgment are reviewed under a *de novo* standard."

Rodriguez-Abreu v. Chase Manhattan Bank, 986 F.2d 580, 583 (1st Cir. 1993): "Our review of the district court's grant of summary judgment is both de novo and plenary: we review afresh the entire record in the light most favorable to Rodriguez, resolving all inferences in his favor."

Deutsch v. Burlington Northern Railroad Co., 983 F.2d 741, 743 (7th Cir. 1993): "A grant of summary judgment is reviewed *de novo*."

Amerinet, Inc. v. Xerox Corp., 972 F.2d 1483, 1489 (8th Cir. 1992): "This Court, in reviewing the district court's grant of summary judgment, determines de

novo whether summary judgment is properly granted."

NYSA-ILA Medical v. Axelrod, 27 F.3d 823, 826 (2d Cir. 1994): "We review the district court's decision [on cross-motions for summary judgment] de novo."

C. The Decision is In Direct Conflict with Contemporaneous Decisions of the U.S. Court Of Appeals for the Federal Circuit

Gasser Chair Co., Inc. v. Infanti Chair Mfg. Corp., ___ F.3d ___, 34 USPQ2d 1822, 1824 (Fed. Cir. June 1, 1995): "A district court's grant of summary judgment is reviewed *de novo*. See *Meyers v. Asics Corp.*, 974 F.2d 1304, 1306 (Fed. Cir. 1992)." This case was an appeal from the grant of summary judgment of laches and estoppel, the precise basis of the grant of summary judgment in the case at bar.

Southwall Technologies, Inc. v. Cardinal IG Co., 54 F.3d 1570, 1575 (Fed. Cir. May 10, 1995): "Regardless of the nature of the issue determined favorably to the movant, we review the district court's grant of summary judgment *de novo*."

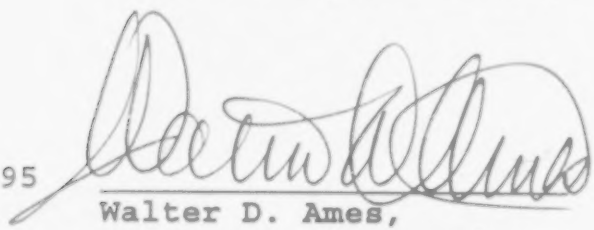
Stark v. Advanced Magnetics, Inc., 29 F.3d 1570, 1573 (Fed. Cir. 1994): "On these premises the appellate court determines, upon *de novo* review, whether the summary judgment was correctly granted as a matter of law."

X. CONCLUSION

This petition for writ of certiorari to the U.S. Court of Appeals for the Federal Circuit should be granted. The judgment below should be vacated and the case remanded to that Court with instructions that it review the district court's grant of summary judgment under

the plenary, *de novo* standard.

Respectfully submitted,



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APPENDIX

United States Court of Appeals
for the Federal Circuit

94-1334

ABB ROBOTICS INC. and
CINCINNATI MILACRON, INC.,

Plaintiffs-Appellants,

v.

GMFanuc ROBOTICS CORPORATION,

Defendant-Appellee.

DECIDED: March 27, 1995

Before RICH, PLAGER, and BRYSON, Circuit Judges.

RICH, Circuit Judge.

DECISION

ABB Robotics and Cincinnati Milacron (CM) appeal the August 10, 1993 decision of the United States District Court, Eastern District of Wisconsin, *ABB Robotics, Inc. v. GMFanuc Robotics Corp.*, 828 F.Supp. 1386, 28 USPQ2d 1581 (E.D.

Wis. 1993), granting GMFanuc Robotics's (GMF) motion for summary judgment based on laches and estoppel. As to estoppel, we affirm.

DISCUSSION

U.S. Patent No. 4,068,536 (the '536 patent) issued on January 17, 1978 and was assigned to CM. Between 1984 and 1986, correspondence and meetings took place between CM and GMF regarding the '536 patent, CM charging GMF with infringement and GMF denying any liability. Specifically, in September 1986, GMF denied that it infringed. CM took no further action. Indeed, sometime in late 1986 CM management decided not to sue GMF for infringement of the '536 patent. Further, during this time period, CM and GMF discussed other CM patents as well and as a result, GMF took a license under what both parties refer to as CM's control

patents.

In 1988, CM granted ABB an exclusive license under the '536 patent. In June 1991, ABB charged GMF with infringement of the '536 patent and on June 27, 1992 filed the action which led to this appeal. On August 10, 1993, the trial court granted GMF's motion for summary judgment on the grounds of laches and estoppel and dismissed the case with prejudice. ABB and CM appeal.

Estoppel is an equitable defense to a charge of patent infringement and, if proven, may entirely bar an infringement suit. Three elements are required to prove estoppel. The first is that the patentee, through misleading conduct, leads the alleged infringer to reasonably infer that he does not intend to enforce the patent against the alleged infringer. The conduct may include specific statements, action,

inaction, or silence where there was an obligation to speak. The second element is that the alleged infringer relies on the patentee's conduct. The final element is that due to the reliance, the alleged infringer will be materially prejudiced if the patentee is permitted to proceed with its infringement suit. Being an equitable doctrine, estoppel is committed to the sound discretion of the trial judge whose decision we review under the abuse of discretion standard. *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028, 22 USPQ2d 1321, 1325 (Fed. Cir. 1992) (in banc). Unlike laches, no presumption adheres to an estoppel defense. Thus, a party advancing an estoppel defense must prove each of the elements thereof. Id. at 1043, 22 USPQ2d st 1337.

As to the first element, the trial court found that CM and GMF last discussed infringement of the '536 patent in September 1086 when the parties met and GMF asserted that it did not infringe. CM took no further action and indeed the infringement issue was not raised again until June 1991 when the ABB charged GMF with infringement.

Misleading action by the patentee may be silence, if such silence is accompanied by some other factor indicating that the silence was sufficiently misleading to amount to bad faith. *Hemstreet v. Computer Entry Systems Corp.*, 972 F.2d 1290, 1295, 23 USPQ2d 1860, 1864 (Fed. Cir. 1992); *Aukerman*, 960 F.2d at 1042, 22 USPQ2d at 1336. The district court found that CM's misleading action was combined with other factors including: (1) CM's objection to the activities as infringing followed by

inaction; (2) the relationship between CM and GMF's knowledge that CM was not active in the area of the '536 patent and was therefore not losing sales or profits as a result of the alleged infringement; and (4) other negotiations which took place between CM and GMF which led to licensing agreements under other CM patents.

On appeal, ABB and CM contend that there was no misleading conduct because there was no "legally required threat of immediate and vigorous enforcement" of the '536 patent by CM "that must have preceded its period of silence." However, such an enforcement threat followed by silence, contrary to appellants' assertion, is not the only way that silence can be misleading inaction. Rather, as plainly stated in *Aukerman*, inaction, "combined with other facts respecting the relationship or contacts between the

parties" may "give rise to the necessary inference that the claim against the defendant is abandoned." *Aukerman*, 960 F.2d at 1042, 22 USPQ2d at 1336. Moreover, that an immediate threat of enforcement followed by silence may be the most common scenario does not mean that it is the only set of facts which can support a finding of misleading action silence. This court's case law is not to the contrary. *See Meyers v. Brooks Shoes Inc.*, 912 F.2d 1459, 16 USPQ2d 1055 (Fed. Cir. 1990); and *Meyers v. Asics Corp.*, 974 F.2d 1304, 24 USPQ2d 1036 (Fed. Cir. 1992).

We agree with the trial court that CM's long period of inaction after GMF had denied infringement combined with the "other factors" found by the trial court led GMF to reasonably conclude that CM did not intend to enforce the '536 patent against it. The district court's finding

of misleading action was not an abuse of discretion.

The district court next found that GMF proved the second element of estoppel, reliance, because CM's completed negotiations with respect to the control patents when viewed in light of the abrupt discontinuation in correspondence with respect to the '536 patent gave rise to the "necessary inference" that CM's infringement claim against GMF with respect to the '536 patent had been abandoned. The trial court also found that CM's assertion that it would not license GMF under the '536 patent strengthened this inference as did GMF's knowledge that CM would have to choose between enforcing its patent rights and its business relationships with one of its best customers, GM.

On appeal, ABB and CM contend that the district court improperly decided whether GMF could have relied on CM's silence instead of using the correct standard, whether GM actually relied on CM's conduct. We disagree. The district court in its opinion did not consider abstract theoretical possibilities, but rather, looked at the conduct of the parties and decided that GMF had a relationship with CM that lulled GMF into a sense of security that it would not be sued. *Aukerman*, 960 F.2d at 1043, 22 USPQ2d at 1337. Indeed the trial court found, and ABB and CM have not convinced us otherwise, that the only possible inference from the record is that CM would leave GMF unmolested.

As to the final element of estoppel, prejudice, the trial court found that GMF proved economic prejudice by showing that

this suit would "result in damages which likely would have been prevented by an earlier suit." *Aukerman*, 960 F.2d at 1033, 22 USPQ2d at 1329. Damages included GMF's expenditures on procuring additional patents in the field of the '536 patent and development of its P-155 robot arm. The trial court also found that the threefold expansion of GMF's allegedly infringing activity was "because of and a result of the delay." *Hemstreet*, 927 F.2d at 1294, 23 USPQ2d at 1863. The trial court based this conclusion on its finding that a 1984 GMF internal memorandum indicated that it stopped production of a different robot arm it determined might infringe the '536 patent. Additionally, as the trial court noted, cases in which economic prejudice has been found lacking did not so hold because of a lack of capital investments, but, rather, because

the alleged infringer failed to prove that their increased expenditures, i.e., on marketing and development, were in any way related to actions taken by the patentee. *Compare Meyers v. Brooks Shoe, Inc.*, 912 F.2d 1459, 1463, 16 USPQ2d 1055, 1058 (Fed. Cir. 1990) ("the record supports the conclusion that the time and money Brooks spent...was not related to Meyers' patented invention and may have been spent anyway.") with *Jamesbury Corp. v. Litton Indus. Prods., Inc.*, 839 F.2d 1544, 1554, 5 USPQ2d 1779, 1787 (Fed. Cir. 1988) ("had [president of alleged infringing company] known of the allegation of infringement ... he would not have sold the corporation rather than make continued capital investments...those investments were uncontroverted evidence of material prejudice.")

The proper injury is whether there

has been a "change in the economic position of the alleged infringer during the period of delay." *Aukerman*, 960 F.2d at 1033, 22 USPQ2d at 1337. The trial court correctly found that there was a change in GMF's economic position which resulted from CM's delay. We therefore agree that GMF proved economic prejudice.

Because the trial court correctly found that GMF proved each of the elements of estoppel and because no other evidence of facts respecting the equities of the parties precludes the application of estoppel in this case, the trial court's grant of summary judgment as to estoppel is affirmed. We have considered ABB and CM's other arguments with respect to estoppel and find them to be unpersuasive. As we have affirmed the district court's holding of estoppel, it is unnecessary for us to reach the laches issue.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN

ABB ROBOTICS, INC.,
and
CINCINNATI MILACRON, INC.,

Plaintiffs,

v.

GMFanuc ROBOTICS CORPORATION,

Defendant.

Case No. 92-C-58.

DECISION AND ORDER

Before the Court is Defendant GMFanuc Robotics Corporation's ("Fanuc") Motion for Summary Judgment on the grounds of Laches and Estoppel in this patent infringement action filed by Plaintiffs ABB Robotics, Inc. ("ABB") and Cincinnati Milacron, Inc. ("CM"). For the reasons set forth more fully below, Fanuc's Motion

as to both Laches and Estoppel will be granted.

PRELIMINARY BACKGROUND

The Parties

ABB is the American subsidiary of ABB Sweden, which is in turn a subsidiary of ABB ASEA, a multinational corporation based in Switzerland. Robotics is one of many industries in which ABB ASEA is involved. CM is an Ohio Company that was an active participant in the robotics industry throughout the 1980s. Fanuc, a Michigan based manufacturer of robotic devices, was created in the early 1980s as a joint venture between GM and Fanuc LTD, (a Japanese company) as a result of the growing automation of the car industry. The patent at issue is No. 4,068,536 ('536) (also referred to as the "Stackhouse patent") which concerns a robotic wrist.

Chronology of Events

In early 1984, CM contacted Fanuc regarding certain robot control patents which CM believed Fanuc would be required to take a license under. Correspondence and discussions began between Counsel for CM, Richard Eby and Counsel for Fanuc, David Syrowik. In letters dated July 9, 1984, and January 21, 1985, Syrowik indicated that Fanuc did not require a license under any of the control patents. (the '536 patent had apparently not yet been discussed) (Exhs. 6 & 7, attached to Fanuc's Motion) In August of 1985, CM, through Richard Eby, raised the issue again with respect to two particular control patents. Negotiations followed which resulted in Fanuc taking a license under some of CM's patents.

In early 1984, at approximately the same time that CM and Fanuc were

discussing the CM control patents, Fanuc was developing a new paint-spray robot, designated the P-150. In January of 1985, Fanuc filed an application for a patent on its hollow robot wrist design (utilized in the P-150). That patent, No. 4,708,580 ('580), ultimately issued on November 24, 1987)[1] Fanuc displayed the P-150 commercially at a major robotics industry exhibition in June of 1985. Part of the display included informational brochures detailing the workings of the improved robotic wrist. (a copy of which is attached as Exhibit 53 to Fanuc's Reply)

Eby and Syrowik met on September 18, 1985 and discussed an agreement whereby Fanuc would take a license under CM's

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[1] At footnote 1 of its Motion, Fanuc indicates that during the prosecution of the '580 patent, it disclosed CM's '536 patent, but the '580 issued anyway.

control patents. In addition, they discussed the possibility that the P-150 infringed the '536. At the meeting Eby indicated that CM was serious about the enforcement of its patent rights under the '536. Syrowik maintained that the P-150 did not infringe the '536. (Syrowik Aff. pp 3-5, Exh. 15 of Fanuc's Motion) That the '536 was discussed by Eby and Syrowik is supported by a letter from Eby to Syrowik on September 25, 1985. (Exh. 16, Fanuc's Motion) That letter states, "This letter is to follow up our meeting of September 18, 1985 ... We also requested that you study the P-150 painting robot relative to Milacron's Patent No. 4,068,536, and you indicated you would respond by the end of November, 1985". On January 21, 1986 Syrowik wrote Eby, "I would like to apologize for the delay in getting back to you on our evaluations of

the Cincinnati three roll wrist patent (i.e., the '536) In summary, it is GMF's position that we have no need for a license under the Stackhouse patent."

It was not until July 24, 1986 that CM contacted Fanuc and requested a meeting to discuss "robot wrist designs from the perspective of Milacron's patent." (The parties do not dispute that this is a reference to the P-150 and the '536 patent.) (Exh. 19, Fanuc's Motion) In response, Fanuc sent CM a letter again disputing infringement and enclosing two pages which depicted and described the wrist assembly of the P-150. (Exh. 20, Fanuc's Motion; Exh. N., ABB/CM's Cross Motion) On September 3, 1986, CM and Fanuc met to discuss the issue further and Fanuc reiterated its position that the P-150 did not infringe. (Exh. 15, Syrowik Aff., p 7) CM management held a meeting and decided

not to sue Fanuc. (Exh. 2, Rehfeldt Dep., p. 13; Exh. 14, Cole Dep., p. 12) No further discussion took place.

In 1988, CM granted a license under certain CM robotics patents to ABB Sweden. In 1990, ABB entered into an asset purchase agreement with CM wherein ABB obtained CM's Industrial Robot Division and an exclusive license from CM under the '536 patent. ABB SWEDEN, through its various subsidiaries is a major competitor of Fanuc. Around this same time, Fanuc, as part of its own patent enforcement efforts, contacted a number of companies, including subsidiaries of ABB Asea, informing them of Fanuc patents, including the '580 (incorporated in the P-150). Thereafter, correspondence between ABB Asea and Fanuc began, beginning in June of 1991, wherein ABB Asea charged Fanuc with infringement of the '536 patent. (Exh.

46, Fanuc's Motion) Fanuc denied infringement and responded to ABB Asea that any enforcement action would be barred by laches and estoppel. (Exh. 48, Fanuc's Motion) On January 17, 1992, ABB and CM filed this suit against Fanuc. Further facts will be discussed in the legal analysis.

LEGAL ANALYSIS

Summary Judgment Standard

Summary judgment is appropriate when "the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." (emphasis added) Fed.R.Civ.P. 56(c). A fact is genuinely disputed only when "the evidence is such that a reasonable jury could return a verdict for the nonmoving

party." Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248, 106 S.Ct. 2505, 2510, 91 L.Ed.2d 202 (1986). Judge Posner, in Palucki v. Sears, Roebuck & Company, 879 F.2d 1568 (7th Cir.1989), stated:

A district judge faced with such a motion must decide, subject of course to plenary appellate review, whether the state of the evidence is such that, if the case were tried tomorrow, the plaintiff would have a fair chance of obtaining a verdict. (emphasis added)

Id. at 1573-74.

Summary Judgment is equally appropriate in the context of a patent infringement case. Soot v. General Electric Company, 681 F.Supp. 157, 162 (S.D.N.Y.1987), citing Barmag Barmer Maschinenfabrik AG v. Murata Machinery, Ltd., 731 F.2d 831 (Fed. Cir. 1984); A.C. Aukerman Co. v. R.L. Chaides Construction Co., 960 F.2d 1020,

1039 (Fed. Cir. 1992) ("If the decision on laches is made on summary judgment, there must, in addition, be no genuine issues of material fact, the burden of proof of an issue must be correctly allocated, and all pertinent factors must be considered.") (citations omitted). The defenses of laches and estoppel are established by a "preponderance of the evidence". Id. at 1045-46.

To prove laches, Fanuc must show that (1) the delay in filing suit was unreasonable; and (2) that to permit ABB/CM to proceed with the suit would materially prejudice Fanuc. With respect to laches, if the delay is longer than 6 years, a presumption arises that both (1) and (2) have been proven.[2] The

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[2] If the patentee delays longer than six years, the defense of laches is presumed. The six year presumption is borrowed from 35 U.S.C. Sec. 286 which

presumption causes the burden of production, (not the burden of proof) to be shifted to ABB/CM and they must come forward with evidence "sufficient to support a finding of the nonexistence of a fact" as to either element (1) or (2).[3]

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provides a six year damage limitation period. Instead of counting backwards from the date of suit, "[t]he six years for laches begins with a patentee's knowledge of infringement and counts forward." Therefore, laches is presumed (i.e. that the delay was unreasonable and that the defendant has been materially prejudiced) if the patentee delays longer than six years from the date he had "actual or constructive knowledge of the defendant's acts of alleged infringement". Aukerman at 1037.

35 U.S.C. Sec. 286 Time Limitation on Damages in pertinent part: Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to filing of the complaint or counterclaim for infringement in the action.

[3] The burden of persuasion does not shift. Aukerman at 1039. "If patentee presents a sufficiency of evidence which, if believed, would preclude a directed finding in favor of the infringer, the

In a laches analysis, the clock starts ticking when the patentee--CM and then ABB--"knew or should reasonably have known of the infringement".[4]

I. LACHES

A. Presumption of Laches

The question of when a patentee "knew or should have known" is one of fact. Aukerman at 1038 ("If the patentee is successful on this factual issue, no presumption arises." (citation omitted)) In the instant case, ABB/CM "vigorously contest as issues of fact" when the laches period began. (ABB/CM's Cross Motion at

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presumption evaporates and the accused infringer is left to his proof.... at all times, the defendant bears the ultimate burden of persuasion of the affirmative defense of laches." Id. at 1038.

[4] ABB, as CM's licensee, is bound by any delay or failure of CM to assert its rights under the '536 patent. Continental Coatings Corp. v. Metco, Inc., 464 F.2d 1375, 1377 (7th Cir. 1972)

2) ABB/CM argue that it was not until August 12, 1986 when CM received detailed drawings from Fanuc that it knew the "structure of the P-150 robot". (ABB/CM's Cross Motion at 7) ABB/CM argues that the laches period does not begin until that point because "one cannot tell a book by its cover or, in this case, the internal structure of an industrial robot from its shroud." (ABB/CM's Cross Motion at 9) Therefore, the period of delay is less than six years (this action was filed on January 12, 1992), the presumption of laches does not arise, and Fanuc must go forward with proof of unreasonable delay and material prejudice. Fanuc argues that CM knew perhaps as early as November of 1984 that Fanuc was developing the P-150. Support for this argument is a CM memorandum which notes, "GMF has developed and ready to announce their own 3 roll

wrist."[5] (Fanuc's Motion at 13; Exh. 13) This would mean that ABB/CM delayed more than seven years in bringing suit.

Fanuc also argues that the laches period began at some point in the summer of 1985. In January of 1985, Fanuc filed its patent application for the hollow

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[5] ABB/CM argue that use of this memorandum is "a last desperate effort" because the individual who made the notation, Frank Brennan, had received the quoted information from a customer and did not know the identity of the "putative GMFanuc wrist" and Mr. Brennan, "did not and does not know the structure of the wrist or the truth of the information." (ABB/CM's Cross Motion at 10; Declaration of Frank Brennan, Exh. U) Nevertheless, the significance of a three roll wrist becomes evident from ABB/CM's own Brief. In discussing its other enforcement activities, ABB/CM states, "[a]nother organization that seemed to market an infringing wrist was Unimation. Its wrist turned out to be a two-roll wrist and not infringing." (ABB/CM's Motion at 9, Exh. S, 39) This suggests that CM's discovery of a Fanuc Robotics' three roll wrist was significant and might have required further investigation.

wrist utilized in the P-150 and P-155 robots. In June of 1985, it displayed the P-150 at a major robotics industry exhibition. Accompanying the demonstration was a brochure with drawings which describe the attributes of the P-150. (Exh. 53, attached to Fanuc's Reply) Whether these publications are detailed enough so that CM knew or should reasonably have known that the P-150 infringed its '536 patent is not clear. Nonetheless, CM had enough information to raise the issue of infringement at a September 18, 1985 meeting.[6] According to Syrowik (counsel for Fanuc) the following was said at the September 18, 1985 meeting, "CM explicitly informed Fanuc Robotics that CM was

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[6] This meeting was convened, at least in part, to resolve licensing agreements with respect to certain other CM control patents. Fanuc did in fact take licenses under these patents.

serious about enforcement of its rights under the '536 patent against Fanuc Robotics." CM also informed Fanuc that, "CM would not license Fanuc Robotics under the '536 patent." In addition, Syrowik informed CM that Fanuc was aware of the '536 patent and believed that the robot wrist of the P-150 "did not infringe the '536 patent". (Syrowik Aff. at pp 4, 5, Exh. 15) Subsequently, C. Richard Eby, counsel for CM wrote to Syrowik, "[t]his letter is to follow up our meeting of September 18, 1985 ... We also requested that you study the P-150 painting robot relative to Milacron's Patent No. 4,068,536, and you indicated you would respond by the end of November, 1985". In response, Fanuc again denied infringement in a January 21, 1986 letter. (Fanuc's Motion, Exh. 17) CM did not contact Fanuc about the matter until July 24, 1986.

(Fanuc's Motion, Exh. 20) In response, Fanuc sent a letter to CM with drawings to illustrate its position that the P-150 did not infringe the '536 patent. (ABB/CM's Cross Motion, Exh. N) A meeting was held on or about September 3, 1986 to discuss the matter. At that meeting, Fanuc again denied infringement (Syrowik Aff., pp 6, 7) Following the meeting, CM made a consensus decision not to sue Fanuc for infringement. (Fanuc's Motion at x; Exh. 2, Rehfeldt Dep., p. 13; Exh. 14, Cole Dep., p. 12) Following the September 1986 meeting, no further discussions took place between CM and Fanuc regarding the '536 patent.

If the September 18, 1985 meeting is the first time CM raised the issue of infringement of the '536 patent with Fanuc, something must have given it cause to do so. It could have been either the

fact of Fanuc's application for the '580 patent (utilized in the P-150) or the robotics show in June of 1985 where the P-150 was demonstrated. In either case, CM's in-house patent counsel, C. Richard Eby cannot recall when CM first became aware of Fanuc's allegedly infringing activities or the existence of documents which might resolve that question. (Fanuc's Motion at xv).[7] ABB/CM argue

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[7] Fanuc's Motion, Exhibit 9, Eby Deposition, p. 9:

Q. Do you recall the P-150 painting robot?
A. I remember seeing the P-150 painting robot, yes.

Q. Do you know how long before September 18th, 1985 you first were aware of the P-150 painting robot?
A. No, I can't specify that.

Q. Do you know whether there would be any record of when you learned of it before September 18th, '85?
A. No, I can't identify any.

Q. Do you know whether there would be such records at Cincinnati Milacron?

that until it received the August 12, 1986 letter, "nothing indicate[s] that Mr. Eby or anyone else at Milacron had any knowledge of the internal structure of the P-150 robot ...". (ABB/CM's Cross Motion at 8). In addition:

> "Even presuming that the P-150 GMFanuc robot was exhibited at a trade show in June of 1985, and that the exterior of the robot could be seen by representatives of Milacron, that does not mean that the interior structure beneath the shroud of the P-150 was exposed to permit plaintiffs to make a determination whether the P-150 infringed the Stackhouse patent-in-suit. For

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A. No.

example, Mr. Eby testified that he had become aware of several potential infringers of the Stackhouse patent, or at least those who Milacron thought might be infringing. One company was Yaskawa, whose robot arm was seen by Milacron. [Exh. S; Eby Dep. Tr. 38, 39] Mr. Eby advised Yaskawa of the existence of the Stackhouse patent; Yaskawa sent them a drawing of the wrist they were using and Milacron concluded there was no infringement."

(ABB/CM's Cross Motion at 9)

Interestingly, ABB/CM do not clearly indicate whether they requested the drawing which was sent by Yaskawa. ABB/CM has not disputed that CM never requested drawings and the "only reasonable inference"

is that "Fanuc's display of the accused device at the robot exhibition in June of 1985 provided CM with all the information it needed to determine that Fanuc was infringing the patent-in-suit." (Fanuc's Reply at 2-3)

The Court concludes that CM "knew or should have known" of the "infringing activity" some time during the summer of 1985, or at the latest, at the September 18, 1985 meeting.

The six year period begins to run 'when the patentee has actual or constructive knowledge of the alleged infringing activity.' MGA, Inc. [v. Centri-Spray Corp.], 639 F.Supp. [1238] at 1242 [(E.D. Mich. 1986)]. The Court must look to 'the time at which the plaintiff knew or in the exercise of reasonable diligence, should have known of the defendant's alleged infringing action.' [Studiengesellschaft

Kohle mbH v.] Eastman Kodak [Co.], 616 F.2d [1315] at 1326 [(5th Cir. 1980)]; see TWM Mfg. Co. [Inc. v. Dura Corp.], 592 F.2d [346] at 349 [(6th Cir. 1979)] ('notice of infringement' commences six year period); Potash Co. of America v. International Minerals & Chemical, 213 F.2d 153, 155 (10th Cir. 1954). Laches 'will not be imputed to one who has been justifiably ignorant of facts which create his right or cause of action.' Id. (citing cases). However, 'ignorance will not itself excuse delay. The party must be diligent and make such inquiry and investigation as the circumstances reasonably suggest, and the means of knowledge are generally equivalent to actual knowledge.' Id. (citing cases); see Marvel Specialty Co. v. Magnet Mills, Inc., 297 F.Supp. 1026, 1030 (S.D. NY 1969) (patentee is "charged with knowledge of the

facts constituting an infringement which he could have known by the exercise of reasonable diligence.")[8]

Soot, 681 F.Supp. at 163.

ABB/CM take the position that until CM knew unequivocally that the P-150 infringed, the laches period did not begin. The case law does not support that conclusion. Consider the following from Coleman v. Corning Glass Works, 619 F.Supp. 950, 953 (W.D. NY 1985), "Even if Dr. Coleman (patentee) did not know whether the Corvac was technically an 'infringement' in July, 1975, he knew all the facts concerning the Corvac project, and that he had somehow been wronged."; See also, Naxon Telesign

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[8] MGA, Inc. v. Centri-Spray Corp., 639 F.Supp. 1238 (E.D. Mich. 1986); Studiengesellschaft Kohle mbH v. Eastman Kodak Co., 616 F.2d 1315 (5th Cir.) cert. denied, 449 U.S. 1014, 101 S.Ct. 573, 66 L.Ed.2d 473 (1980); TWM Mfg. Co. v. Dura Corp., 592 F.2d 346 (6th Cir. 1979).

Corp. v. Bunker Ramo Corp., 517 F.Supp. 804, 808, n.3 (N.D. Ill 1981) citing Pearson v. Central Ill. Light Co., 210 F.2d 352, 356-57 (7th Cir. 1954) ("Even if Naxon had been 'unsure' of the infringement, it had a duty promptly to investigate and determine if infringement existed.")

Even assuming a standard of "clear evidence of infringement", the fact that CM did not request detailed drawings supports a strong inference that it had "clear" evidence prior to the September 1985 meeting. ABB/CM have not disputed that CM made its charge of infringement at the September 18, 1985 meeting and ABB/CM have not offered evidence to rebut Fanuc's argument that CM never requested drawings of the internal structure of the P-150. In addition, ABB/CM have offered no evidence suggesting that Fanuc refused to send

detailed drawings.[9]

The Court cannot conclude that the period of laches did not commence until CM received the August 1986 letter. ABB/CM knew or should have known of the infringing activity some time during the summer of 1985. To hold otherwise would allow a patentee to delay suit indefinitely and then assert it was not "certain" of infringement because the defendant/infringer failed to provide it with the necessary information. (in this case, unsolicited drawings) In addition, the patent holder's responsibility to police its patent rights would be shifted to the putative defendant/infringer. ABB/CM knew

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[9] It is unclear from the record whether the drawings which were sent to CM in August of 1986 were requested by CM. The letter reads simply, "As promised ..." (ABB/CM's Cross Motion, Exh. N).

or should have known of the alleged infringement, at the latest, by the September 18, 1985 meeting. Therefore, the presumption of laches arises and the burden of going forward with "evidence sufficient to support a finding of the nonexistence of a presumed fact" is shifted to ABB/CM. Aukerman at 1037. ABB/CM meet their burden by introducing "evidence sufficient to raise a genuine dispute as to either delay or prejudice." (emphasis added) Hemstreet v. Computer Entry Systems Corp., 972 F.2d 1290, 1293 (Fed. Cir. 1992).

B. Reasonableness of the Delay

There can be no argument that ABB/CM delayed in bringing suit; the issue is whether that delay was reasonable or excusable. Because ABB/CM must shoulder the burden of production, they must put forward "evidence sufficient to support a

finding of the nonexistence of the presumed fact". Aukerman at 1037. ABB/CM have not presented evidence with respect to almost all of the justifications for delay recognized by Aukerman. Those justifications include: (1) The patentee was involved in other litigation; (2) The patentee was engaged in negotiations with the accused infringer; (3) The patentee was in a state of poverty or illness; (4) Wartime conditions; (5) The infringement was de minimis at first; and (6) There was a dispute over patent ownership. Id. at 1033. Of the justifications outlined above, only one has any relevance to this case -- negotiations between the patent holder and the alleged infringer.

ABB/CM did not address the "negotiations" excuse in their motion papers. Instead, in response to Fanuc's Findings of Fact, ABB/CM assert, "CM did engage in

negotiations with GMFanuc with a view toward settlement or licensing. One such instance was the "wrist meeting" on September 3, 1986.... The infringement of GMFanuc could have been settled at that time." (ABB/CM's Local Rule 6.05(b)(1) Responses to Fanuc's Proposed Findings of fact, p 7) This appears to contradict the testimony of CM's own patent counsel Richard Eby. (Exh. 9, Eby dep., pp. 17, 29)[10] As Fanuc highlights, the parties

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[10] Q. Would you have licensed GMF under the Stackhouse patent?

A. That wasn't my decision. We had a history of an exclusionary policy with regard to that patent.

Q. In simple terms, that meant you weren't licensing the Stackhouse 536 patent?
A. That's correct.

Q. Did you ever negotiate with David Syrowik ... in any sense regarding licensing of Stackhouse 536 patent, to your knowledge, to your recollection?
A. Not that I remember.

were "never involved in any negotiations regarding the '536 patent. In fact, CM admits that it had an exclusionary practice regarding licensing under the '536 patent." (emphasis in original) (Fanuc's Motion at 14-15). Fanuc argues that, "[i]n light of (the exclusionary licensing practice), and Fanuc's conviction that it did not infringe the '536 patent ... [t]he only "settlement" available to Fanuc Robotics would have been total capitulation in the form of either a withdrawal of the P-150 paint-spray robot from the market, or complete redesign of the P-150 robot wrist." Id.

The sole argument put forth by ABB/CM is that "any delay was excusable because one does not sue one's best customer without clear proof." (ABB/CM's Cross Motion at 11) In support thereof, ABB/CM offers the deposition testimony of Mr. Chris Cole

and George T. Rehfeldt, former group vice-president of CM.

> * * * they (GM--Fanuc Robotics' parent company) were also a very significant major customer to Cincinnati Milacron, and there was some reticence on our part to be too aggressive in enforcing something we didn't feel for sure we could prove at that time or could prove without a lot of money and effort spent against the customer.

Cole Dep. at p. 10, Exh. 14

> I'm sure one of the issues, obviously, would have been General Motors as a major customer ...

Rehfeldt Dep. at p. 6, Exh. 2

This justification is not found in Aukerman and has been explicitly rejected.

MCV, Inc. v. King-Seeley Thermos Co., 870 F.2d 1568, 1572 (Fed. Cir. 1989) ("To the extent MCV would justify its delay because an earlier assertion might have jeopardized business dealings with Halsey Taylor, the excuse is insufficient."); See also, General Electric Co. v. Sciaky Bros., Inc., 304 F.2d 724, 727 (6th Cir. 1962) ("The delay ... was unreasonable, inexcusable, and unexplained. Whether General Electric might have been influenced by the fact that Sciaky was making substantial purchases of electrical supplies from it is not material."); 4 Chissum, Patents, Sec. 19.05[2][b][vi][11] ("The patent owner's desire to maintain good relations with the infringer as a customer, supplier or employer is generally held not to con-

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[11] Donald S. Chissum, Patents, A Treatise on the Law of Patentability, and Infringement Sec. 19.05 (Vol. 5 Matthew Bender & Co. 1993).

stitute a sufficient excuse for delay in filing suit").

Finally, ABB/CM have argued that the reasonableness of the delay is "not adapted to summary determination". (ABB/CM's Reply at 10) While this argument is facially attractive, ABB/CM's failure to marshall any facts as to any of the recognized justifications supports summary judgment on this issue because the only reason for the delay is an undisputed fact based on the recollections of Cole and Rehfeldt.[12], [13]

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[12] Other than the deposition testimony cited above, neither Cole nor Rehfeldt can recall additional reasons why CM failed to file suit. (Exh. 2, Rehfeldt dep., pp. 6-11; Exh. 14, Cole dep., pp 9-11) While the delay might have been due, in part, to CM's conclusion that the P-150 did not infringe, that unresolved issue is not material because it is not a recognized justification for delay.

ABB/CM's lack of factual support with respect to the delay issue is not fatal. Because the defendant/infringer must prove both unreasonable delay and material prejudice, the Court must consider whether Fanuc has been materially prejudiced.[14]

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[13] While not argued by ABB/CM, delay based on de minimis infringement is not justified by the facts of this case. A patentee may assert such an excuse where the infringer's activities are minor in scope and the patentee has "consistently expressed" an "intent to demand compensation". Baker Mfg. Co. v. Whitewater Mfg. Co., 430 F.2d 1008, 1014 (7th Cir. 1970), cert. denied, 401 U.S. 956, 91 S.Ct. 978, 28 L.Ed.2d 240 (1971), citing Tripp v. United States, 186 Ct. Cl. 872, 406 F.2d 1066, 1071 (1969). Here, Fanuc's production and sale of the P-150 can not be characterized as de minimis (See n. 26) and subsequent to the September 1986 meeting, CM never expressed an intent to demand compensation.

[14] The Federal Circuit's opinion in Hemstreet has referred to the presumption as a "double bursting bubble which the plaintiff punctures with introduction of evidence sufficient to raise a genuine dispute as to either delay or prejudice." Id. at 1293. If the plaintiff is

C. Material Prejudice

Material Prejudice "may be either economic or evidentiary". Aukerman at 1033, citing Cornetta v. United States, 851 F.2d 1372, 1378 (Fed. Cir. 1988) (en banc). As with the element of delay, material prejudice is presumed and ABB/CM bears the burden of production. ABB/CM have argued that material prejudice is "utterly missing" with respect to both laches and estoppel. (ABB/CM's Cross Motion at 3) A showing of either evidentiary or economic prejudice constitutes material prejudice. Id.

Evidentiary Prejudice

Evidentiary prejudice may arise where the "defendant's inability to present a full and fair defense on the merits due to

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successful as to either, "[the] defendant is put to its proof on both factors." Id., citing Aukerman, 960 F.2d at 1037.

the loss of records, the death of a witness, or the unreliability of memories of long past events ..." undermines the court's ability to judge facts. (citations omitted) Aukerman at 1033. Fanuc relies solely on the third -- the unreliability of memories of long past events.

The Court concludes that ABB/CM have met their burden of production relative to evidentiary prejudice. The evidentiary prejudice which goes directly to the merits of the case concerns losses of memory regarding infringement of the '536 patent. ABB/CM's offering of the Invention Disclosure Statement overcomes the presumption of evidentiary prejudice. "[A] patentee ... eliminate[s] the presumption with an offer of evidence suffi-

cient to place the matters of defense[15] prejudice ... genuinely in issue". Aukerman at 1038. Because ABB/CM have met their burden of production, "the presumption evaporates" with respect to evidentiary prejudice. Id.

Economic Prejudice

The evidence is now examined with respect to economic prejudice. As Aukerman states, "... economic prejudice is not a simple concept but rather is likely to be a slippery issue to resolve." Id. at 1033, citing Chissum, Sec. 19.05[2][c].[16] ABB/CM have injected a

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[15] The terms "defense" and "evidentiary" prejudice are used interchangeably.

[16] Before examining the facts and the law with respect to economic prejudice, the Court would note the following passage from Chissum. "As an empirical matter, there seem to be few cases indeed in which a lengthy period of unexcused delay escaped a laches finding

new question of law not specifically addressed in Aukerman by arguing that economic prejudice requires a showing of both capital investments for and increasing production of the infringing product. (ABB/CM's Reply at 3, citing Adelberg Laboratories, Inc. v. Miles, Inc., 921 F.2d 1267, 1272 (Fed. Cir. 1990) ("Making heavy capital investment and increasing production can constitute prejudice." (emphasis ours)) ABB/CM refer to this as a "duality of requirements" standard. (ABB/CM's Reply at 3) ABB/CM argue that the simple expansion of Fanuc's sales alone is not sufficient to constitute economic prejudice and therefore Fanuc's defense of laches must fail.

Because the Court finds as a matter of

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because of proof of want of injury."

law that increasing sales [without additional evidence of capital investments] may constitute economic prejudice, ABB/CM's position is rejected. Support for this holding is found in the language of Aukerman. "Economic prejudice may arise where a defendant and possibly others will suffer the loss of monetary investment or incur damages which likely would have been prevented by earlier suit." Id. at 1033 (citations omitted) (emphasis added) The second half of this sentence clearly captures increasing sales within the definition of economic prejudice.[17], [18]

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[17] Significantly, ABB/CM never do give meaning to the second half of this sentence, treating it, in effect, as surplusage.

[18] Consider a different Aukerman opinion from the Seventh Circuit--A.C. Aukerman Co. v. Miller Formless Co., 693 F.2d 697, 701 (7th Cir. 1982). "As to the problem of prejudice to the defendant through the long delay, there is no

Further support for this conclusion is found in Chissum's discussion of the issue of whether "successful expansion" of the infringing activity constitutes economic prejudice. (Chissum at 19.05[2][c] While the issue discussed is broader, the analysis is instructive for purposes of this case. For instance, the cases which hold that successful expansion does not constitute economic prejudice do not do so because of an absence of capital investments. Instead, the distinguishing fact in the cases where no economic prejudice is found is that the defendant/infringer would have expanded his business no matter

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substantial question. Miller Formless' business continued and expanded while plaintiff was postponing suit." Consider also, Continental Coatings Corp. v. Metco, Inc., 464 F.2d 1375, 1378 (7th Cir. 1972), "As the authorities ... clearly hold, an expansion of the infringer's business is the kind of change of position which will support the defense of laches."

what the patentee "did or did not do". (Chissum at 19-445-56) Compare, Meyers v. Brooks Shoe, Inc., 912 F.2d 1459, 1463 (Fed. Cir. 1990) (The "conclusory affidavits" that Brooks had spent hundreds of thousands of dollars on development and marketing were insufficient because ... Brooks' ... [the infringer] actions were completely independent of Meyers [the patentee]."); and Jenn-Air Corp. v. Penn Ventilator Co., 464 F.2d 48 (3rd Cir. 1972) ("There was no harm to defendant in that, all that happened to it was its continuance of counterfeiting and selling its infringing product."); with Rome Grader & Machinery Corp. v. J.D. Adams Mfg., 135 F.2d 617, 618 (7th Cir. 1943) ("Defendant, obviously reasonably believing that Revere had abandoned its charge, continued to manufacture, openly and extensively, the graders complained of

and expanded its line of the accused type ...").

The Federal Circuit's post Aukerman decision in Hemstreet removes any doubt as to the nature and focus of an economic prejudice analysis. In Hemstreet, despite the defendant's evidence of expenditures of $23 million on research and development, $6.3 million on direct marketing costs, and $20 million to expand or consolidate manufacturing facilities (capital investments), the Federal Circuit reversed and remanded the district court's grant of summary judgment of laches because, "... these expenditures have no explicitly proven nexus to the patentee's delay in filing suit." In addition, the Court noted, "... CES's prejudice argument is severely undercut by Hemstreet's provision of explicit notice ... and implicit suggestion that CES would soon face liti-

gation ..." Id. at 1294. It is clear from Hemstreet that the court's inquiry is not whether there is evidence of capital investment. Rather, the key is whether there is a nexus between the delay and the infringer's decision to expand the infringing activity, not the form or number of forms the expansion takes. No economic prejudice can be established if this nexus is absent. "The Courts must look for a change in the economic position of the alleged infringer during the period of delay. (citation omitted)" Aukerman at 1033 (emphasis in original). "The change must be because of and as a result of the delay, not simply a business decision to capitalize on a market opportunity." Hemstreet, 972 F.2d at 1294. Therefore, the infringer's decision to expand his business, whether the expansion took the form of capital investments or increased

sales, must consider what the patentee did or did not do.

The cases which ABB/CM cite do not stand for the proposition they ask the Court to adopt. Instead, these cases hold that, "[t]he change must be because of and as a result of the delay ...". Hemstreet at 1294. That some make reference to investments and increasing sales (Adelberg) is not enough to conclude that there is a "duality of requirements", and the plain language of Aukerman does not support such an interpretation.[19] The tenor of the

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[19] In fact, Aukerman focuses only on the volume of sales, "It is not disputed that defendant's conduct changed during the laches time frame both by its manufacturing its own slip-forming device and by greatly increasing the amount of asymmetrical wall it poured. See supra n.3. It could not be inferred against the patentee that these changed circumstances should have been known to the patentee or were immaterial to the determination of laches. Upon the record before us, summary judgment of laches was improperly granted. The issue

case law suggests that the distinction between investments and increased sales is an artificial one. That an infringer could realize increased sales without a corresponding increase in investment expenditures--capital or otherwise--is unlikely. Aukerman and Adelberg make clear the scope of inquiry is whether the defendant/infringer changed his position "during the period of delay" and the defendant/infringer had "reason to believe" that the patentee was not going

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of laches must be tried." Id. at 1039. (Note 3 indicates that defendant's sales of step wall rose from 3,125 feet to over 62,000 feet. Id. at 1027.) What the Court meant by "these changed circumstances should have been known to the patentee" is unclear when considering the elements of a laches defense. Perhaps what the Court meant was that the record was incomplete as to whether the increased sales were "because of and as a result of the delay." Nevertheless, for purposes of the question of law before this Court, the above language is contrary to ABB/CM's argument.

to sue. The proper focus then should be on the infringer/defendant's reasonable belief that the patentee would not sue. See Universal Coin Lock Co. v. American Sanitary Lock Co., 104 F.2d 781, 783 (7th Cir. 1939) ("Because of the delay, the defendant has good reason to think that plaintiff believes his asserted rights to be worthless."); Adelberg at 1271 (The defendant/infringer, "... had reason to believe that [the patentee] was not going to sue for patent infringement.").[20] The policy consideration behind such a requirement is that a defendant/infringer should not be able to claim economic prejudice where he has decided to continue the infringing behavior at his own risk --

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[20] While reliance is not an element of laches (Aukerman at 1042), the infringer's decision to continue or increase production must have some connection to the patentee's delay.

i.e., without regard to the patentee's behavior. This standard counters the concern raised in Aukerman at p. 1033, citing Jenn-Air Corp. v. Penn Ventilator Co., 464 F.2d 48 (3rd Cir. 1972) and Cornetta v. United States, 851 F.2d 1372 (Fed. Cir. 1988) (en banc) that "economic prejudice would arise in every suit."

Therefore, economic prejudice is shown by evidence of either loss of investment expenditures or damages (from increasing sales) which might have been prevented by an earlier suit. However, as Aukerman and Hemstreet make clear, "such damages or monetary losses" must be, "because of and as a result of" the delay. In order to be "because of and as a result of" the delay, the defendant must have had reason to believe that the patentee did not intend

to file suit for infringement.[21]

The Court now examines the sufficiency of the evidence produced by ABB/CM to overcome the presumption that the delay has caused economic prejudice to Fanuc. (Is the evidence presented by ABB/CM "sufficient to put the existence of the presumed fact into genuine dispute"? Aukerman at 1037) ABB/CM's evidence on the issue of increasing sales is sparse. Indeed, they offer only argument that, "even were increased sales evidence of

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[21] That there is no duality of requirements is further supported by the Federal Circuit's decision in Sun Studs, Inc. v. ATA Equipment Leasing, Inc., 872 F.2d 978, 993 (Fed. Cir. 1989), vacated in part on reh'g, 872 F.2d 978 (Fed. Cir. 1989). The Federal Circuit found no error in the following jury instruction, " 'Prejudice' arises where on account of delay, the alleged infringer made a substantial investment in building up its business or where the accused infringer would have avoided the alleged infringing conduct by modifying its business." (emphasis added)

economic prejudice, ... a mere doubling of sales over five years is not the type of expansion that can constitute economic detriment." (ABB/CM's Cross Motion at 15) However, an examination of Fanuc's Exhibit 19 indicates a tripling of sales during the period of delay.[22] That the sales figures might not reflect a continuously ascending rate does not negate the fact that Fanuc enjoyed a significant expansion in sales of the P-150 during the period of delay. As Aukerman holds, economic prejudice may be shown where, "an infringer, if he had notice, could have switched to a noninfringing product." Id. at 1033, citing Rome Grader & Machinery Corp. v. J.D.

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[22] Pursuant to the Protective Order entered in this case, Exhibit 19 was filed under seal as confidential material. For purposes of this Court's Decision and Order, the sales figures therein reflect a tripling of unit sales of the P-150/P-155 during the period of delay.

Adams Mfg. Co., 135 F.2d 617, 619 (7th Cir. 1943). ABB/CM argue that Fanuc has failed to show that it would have changed to a noninfringing product or that it had reason to believe that ABB/CM did not intend to file suit for infringement. "[D]efendant has submitted nothing by way of hard evidence regarding a noninfringing structure to which it would have shifted." (ABB/CM's Reply at 5) Ignoring for the moment that ABB/CM have the burden of production with respect to this issue, Fanuc has offered evidence on these matters. First, Fanuc offers a 1984 internal memorandum which reflects the halting of production of a robot which it determined might infringe CM's '536 patent. (Exh. 18; Exh. 11, Akeel Aff. p 4) Second, that Fanuc took a license under certain CM control patents during the relevant time period, thereby modify-

ing its behavior to avoid infringement, supports an inference that Fanuc would have done the same with respect to the P-150. Finally, that CM pursued Fanuc with respect to the control patents, but delayed with respect to the '536 patent, supports the reasonableness of Fanuc's belief that CM would not file suit.[23] Based on the foregoing, ABB/CM's "argument" that there is no evidence of increasing sales or evidence that Fanuc would have modified its behavior must be rejected. ABB/CM have failed to offer evidence to rebut the presumption of economic prejudice.[24]

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[23] A belief made even more reasonable by the knowledge that CM might think twice before suing "one's best customer".

[24] While the defendant's conduct is an appropriate factor to weigh in a laches analysis (Aukerman at 1033), ABB/CM have offered no argument or evidence to suggest that Fanuc has acted

Because ABB/CM have not met their burden of production and put forth evidence sufficient to raise a genuine factual issue with respect to either the reasonableness of the delay or the material prejudice to Fanuc as a result of that delay, Fanuc's Motion for Summary Judgment of Laches is granted.[25]

II. ESTOPPEL

Fanuc has also moved for summary judgment on the grounds of estoppel. "Where equitable estoppel is established, all relief on a claim may be barred." Auker-man at 1041. Unlike laches, which focuses on the reasonableness of the plaintiff's

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improperly.

[25] "[C]ourts are reluctant to come to aid of a party who has knowingly slept on his rights under circumstances where he might have earlier asserted such rights in the exercise of due diligence." Lake Caryonah Improv. Assn. v. Pulte Home Corp., 903 F.2d 505, 509 (7th Cir. 1990).

behavior, estoppel focuses on what the defendant has been led to reasonably believe from the plaintiff's conduct. Id. at 1034. The defendant/infringer must prove: (1) Misleading conduct by the patentee; (2) Reliance upon that conduct; and (3) Material prejudice. "Unlike laches, equitable estoppel does not require the passage of an unreasonable period of time in filing suit." Id. at 1042. Accordingly, there is no presumption in an estoppel defense and the burden of production and proof remain at all times with the defendant. Id. at 1043. A determination of estoppel is appropriate on summary judgment and bars the patentee's claim for relief in its entirety. Id.

A. MISLEADING CONDUCT OR STATEMENTS

The patentee's statements and conduct are examined first to determine if they:

* * * communicate something in a

misleading way. * * * The 'something' ... is that the accused infringer will not be disturbed by the plaintiff patentee in the activities in which the former is currently engaged. * * * In the most common situation, the patentee specifically objects to the activities as ... infringement ... and then does not follow up for years. * * * There is ample subsequent precedent that equitable estoppel may arise where, coupled with other factors, a patentee's 'misleading conduct' is essentially misleading inaction ... (emphasis in original) (citations omitted) However, plaintiff's inaction must be combined with other

> facts respecting the relationship or contracts between the parties to give rise to the necessary inference that the claim against the defendant is abandoned. (citations omitted)

Aukerman at 1042.

This case represents the "most common situation". As discussed above, CM first requested that Fanuc examine the P-150 in light of the '536 patent at the September 1985 meeting. At approximately the same time, CM and Fanuc were negotiating with respect to certain CM control patents which resulted in Fanuc taking a license thereunder. By letter dated January 1, 1986, Fanuc reiterated its position that the P-150 did not infringe the '536. (Fanuc's Motion; Exh. 17) Further correspondence took place between CM and Fanuc during the early to middle part of

1986. In September of 1986, CM and Fanuc met to discuss the issue of infringement. Fanuc again asserted its position that the P-150 did not infringe. (Fanuc's Motion; Exh. 15, Syrowik Aff., p 7)

CM took no further action. In fact, following the September, 1986 meeting, no further discussion regarding the '536 patent took place between CM and Fanuc. (Fanuc's Motion; Exh. 9, Eby Dep. pp. 46-47; Exh. 14, Cole Dep., p. 11) The issue was not raised again until ABB Asea, ABB's parent company, charged Fanuc with infringement in June of 1991. (Fanuc's Motion; Exh. 46) There followed an exchange of correspondence between ABB Asea and Fanuc. Approximately (6) six years and (4) four months after CM knew of the infringing activity (and five years and five months since the date CM admits having had "clear proof" thereof), ABB/CM

filed this suit.

Here, as discussed in Aukerman, CM's misleading conduct is essentially misleading inaction. CM's inaction, when "combined with the other facts respecting the relationship", supports the Court's conclusion that there are no genuine issues of material fact which preclude the Court from holding that CM's statements and conduct were misleading to the point of giving rise to the necessary inference that CM had abandoned its claim against Fanuc. As discussed below in Part II B, the "other facts" include; (1) CM's objection to the activities as infringing (at the September 1985 meeting) followed by inaction; (2) the relationship between CM and Fanuc's parent, GM[26]; (3) Fanuc's

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[26] In fact, GM was CM's largest single robotics customer at that time. (Fanuc's Motion at 21; Exh. 23, Potok Aff., p 4; Exh. 2, Rehfeldt Dep., pp.

knowledge that CM was not active in the paint spray segment of the market and therefore CM was not losing sales or profits as a result of the alleged infringement of the '536 patent; and (4) the other negotiations which took place between CM and Fanuc with respect to the control patents.

B. RELIANCE

To satisfy the second element of estoppel, the defendant must show that it, "substantially relied on the misleading conduct of the patentee in connection with taking some action." Id. at 1042-43 To show reliance the infringer "must have had a relationship or communication with the plaintiff which lulls the infringer into a sense of security ...". Such was the case here. CM's completed negotiations with

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6-8; Exh. 14, Cole Dep., p. 10).

Fanuc with respect to the control patents, when viewed in light of the abrupt discontinuation in correspondence regarding the '536 patent, gave rise to "the necessary inference" that the claim against Fanuc had been abandoned. That inference is further strengthened because CM had indicated to Fanuc that it would not license the '536. (See n. 10) In addition, consider that Fanuc knew CM would have to chose between the enforcement of its patent rights and its business relationship with GM, it's largest single robotics customer. (See n. 26) The silence that followed the charge of infringement gave rise to the inference that CM had decided to forgo suing Fanuc in order to maintain its business relationship with Fanuc's

parent, GM.[27] ABB/CM argue that CM's

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[27] ABB/CM have argued that summary judgment is inappropriate because it has been foreclosed from discovering whether Fanuc relied upon its own counsel in its decision to manufacture and sell the accused device. (ABB/CM's Reply at 10) ABB/CM argue that if Fanuc relied on its own determination that the P-150 did not infringe, it can not now assert an estoppel defense which requires reliance upon the patentee's conduct or statements. To hold that a defendant who believes his device does not infringe, but who also relied upon the inaction of the patentee may not assert the defense of estoppel, is contrary to the principles of equity. ABB/CM is suggesting that only a defendant who chooses to infringe knowingly may assert the defense of equitable estoppel. ABB/CM's argument is directly contradicted by the Seventh Circuit's opinion in Continental Coatings Corp. v. Metco, Inc. 464 F.2d 1375, 1378 (7th Cir. 1972): "... Plaintiff argues that Metco was not damaged by IIT's delay ... and that, in any event, it relied on an opinion of invalidity rather than on IIT's inaction as its business expanded.... It is no doubt true that Metco's decision in 1961 to risk litigation rather than to discontinue production was predicated on its opinion that the patent was invalid; but the growth in Metco's business in the ensuing years was permitted to continue without challenge by IIT or plaintiff." Based on the foregoing, even if Fanuc relied,

silence was "mere silence which, it is well established, is not sufficient to create the requisite intentionally misleading silence ...". (ABB/CM's Cross Motion at 24-26) However, Aukerman very specifically holds, "[h]ow one characterizes a patentee's silence is immaterial." Id. at 1043. Rather, "the issue ... is whether [CM's] course of conduct reasonably gave rise to an inference that [CM] was not going to enforce the ['536 patent] against [Fanuc]." Id.

In addition, ABB/CM argue that CM's silence supports a contrary inference--an inference that CM's silence "represented a continuing threat" that CM's forbearance would last only as long as CM's relation-

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in part, on a determination that its wrist did not infringe the '536 patent, it does not negate its reliance on CM's conduct for purposes of estoppel.

ship with GM.[28] (ABB/CM's Cross Motion at

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[28] While ABB/CM do not cite Aukerman for this argument, they could have. In Aukerman, the Federal Circuit reversed the District Court's grant of summary judgment. It concluded that the evidence supported an inference other than abandonment. Because the defendant/infringer in Aukerman originally was engaged in de minimis infringement, the Court reasoned that an inference could be drawn that the patentee was not abandoning its claim, but rather waiting until a significant increase in the infringing activity before bringing suit. Therefore, "[despite] ... the different inferences which could drawn from the exchange of correspondence, [the court drew an unfavorable inference against the patentee]." That is impermissible on summary judgment. Id. at 1044. In Aukerman, the defendant wrote to the patentee and said if you wish to sue for $200-300 a year, go ahead. This type of correspondence supports the inference that the defendant might have believed the delay was of a temporary nature and not an abandonment of the claim. Here, while CM's relationship with GM could have ended, this is not the only ground upon which Fanuc believed CM had abandoned its rights. Further, there is no correspondence (as in Aukerman) from either party which suggests that CM's delay was based upon CM's relationship with GM. Rather, it is one of many factors which, in light of CM's silence, supported Fanuc's belief that CM had

26) While it is true that, "... on summary judgment, such an inference [that the defendant would be unmolested] must be the only possible inference" Aukerman at 1044 (emphasis in original), the inference that ABB/CM suggest exists under these facts, exists in every case. The patentee's silence always operates as a continuing threat. Instead the focus must be on the "... other facts respecting the relationship ..." in order to determine if the "... patentee's continued silence reinforces the defendant's inference ... that the defendant will be unmolested." Aukerman at 1042-44. Consider also, "... the longer the delay, the stronger the inference becomes." Id. at 1044. The above facts, when combined with an undisputed delay in excess of five years, suggest

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abandoned its rights against it.

that CM had abandoned its claim against Fanuc. In fact, Fanuc cogently argues that CM has admitted its actual abandonment of this claim as it "... did not participate in the decision to bring this action and is not active in this litigation." (Fanuc's Motion at 22-23; Exh. 22, Gregg Dep., p. 9; Exh. 10, Farrell Dep., pp. 21-22) ABB/CM dispute this fact in their Response to Fanuc's Proposed Findings of Fact. (ABB/CM's Responses are attached to their Cross Motion) It does so by referencing the deposition testimony of Stanley L. Pearson. (Id. at p 9) According to ABB/CM, Mr. Pearson, at the time employed by ABB Robotics, Inc., placed a call to CM attorney Tom Farrell regarding ABB Robotics' intention to file suit and received his "full blessing". ("He said by all means, you would have Milacron's full blessing, ...") (Pearson Dep., p. 46,

attached to ABB/CM's Response to Fanuc's Findings of Fact.) Not only do Mr. Pearson's recollections of what Mr. Farrell said constitute hearsay not properly considered on summary judgment, but Mr. Farrell's own deposition testimony (offered by Fanuc) suggests that CM played little, if any, role in the decision to bring this suit.[29]

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[29] The following excerpts from Mr. Farrell's deposition describe CM's involvement in the case:

p. 21

Q. You don't know any of the issues [in the case]?
A. No.

Q. --or what the positions are of either party?
A. No. I have a copy of the complaint and the answer and they are all on file. It started at that point.

p. 22

Q. Do you get copies of all the pleadings, as you know?
A. As far as I know, I do.

Q. Do you read them?

The only possible inference that can be drawn from the evidence in this case is that CM would leave Fanuc unmolested. It is immaterial whether that inference is based upon Fanuc's belief that CM didn't want to sue its best customer or Fanuc's belief that CM had decided the P-150 did not infringe. Either belief supports the only possible inference--that CM would not assert its rights under the '536 against Fanuc.

C. MATERIAL PREJUDICE

The third element of a successful estoppel defense is that the defendant must establish that he would be materially prejudiced if the patentee is now permitted to proceed. "As with laches, the

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A. * * * I can't say we've read them in any depth ...

Q. So you don't make any effort to keep pace with the case?
A. No, Sir.

prejudice may be a change of economic position or loss of evidence." Aukerman at 1043.[30] As discussed in Section I. C, economic prejudice may be demonstrated by evidence of either loss of monetary investments or the possibility of damages which likely would have been prevented by earlier suit, i.e., the successful expansion of the infringer's business including increased sales. That section focused on ABB/CM's inability to put forth evidence sufficient to overcome the presumption of laches. As there is no such presumption here, an examination of Fanuc's evidence with respect to estoppel is necessary.

Economic Prejudice

After Fanuc exhibited the P-150 in June of 1985, and denied CM's charge of in-

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[30] The Court incorporates by reference its discussion of evidentiary prejudice in Section I. C (pp. 16-17).

fringement at the September 1985 meeting, its sales of the P-150 and the P-155[31] robots totaled millions of dollars. (Fanuc's Motion at 26; Exh. 29) Expenditures which Fanuc made included: (1) the costs of prosecuting the '580 patent covering the wrist utilized in the P-150/P-155 (Exh. 11, Akeel Aff., p 8); (2) development of the P-155 (Exh. 11, Akeel Aff. p 6); (3) costs associated with procuring additional patents covering other aspects of the P-150/P-155 (Exh. 11, Akeel Aff., p 9; Exhibits 24-28, U.S. Patent Nos. 4,630,567; 4,659,279; 4,659,280; 4,780,045; and 4,807,486) ABB/CM have objected to this evidence as insufficient to constitute the necessary "irretrievable investment expenditures"

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[31] Both the P-150 and the P-155 robots utilize the wrist accused of infringing the '533 patent.

such as research and development or increased manufacturing facilities. (ABB/CM's Cross Motion at 16) Even if the Court were convinced that Fanuc has not produced evidence of investment expenditures, ABB/CM cannot dispute that Fanuc's sales of the P-150/P-155 expanded dramatically. Therefore to proceed with this suit would result in "damages which likely would have been prevented by an earlier suit." Aukerman at 1033. In addition, as discussed in Section I. C, the expansion of the allegedly infringing activity was "because of and as a result of" the delay. Based on the foregoing, there is no genuine issue of material fact with respect to the issue of material prejudice.

While the Court has concluded that Fanuc has established the three elements of estoppel, it may also, "... take into

consideration any other evidence and facts respecting the equities of the parties in exercising its discretion ...". Aukerman at 1043. With that in mind, Fanuc has requested the Court to consider the circumstances under which this case was brought. It has argued that neither CM (the patent holder) nor ABB (the exclusive licensee) are the real parties in interest. Instead, Fanuc argues that ABB Asea and ABB Sweden directed ABB/CM to file suit to protect other subsidiaries which are involved in direct competition with Fanuc. The evidence does support Fanuc's argument that neither ABB nor CM instigated this litigation. (Exh. 10, Farrell Dep., pp. 7, 21-22; Exh. 30, Corwin Dep., pp. 45-46) Further support for this conclusion is that the '536 patent was never raised until after Fanuc began its own enforcement efforts in Europe against

various subsidiaries of ABB Asea. As Aukerman permits, the Court may consider these facts in examining the defense of equitable estoppel. In doing so, they only lend further support to the conclusion that ABB/CM should be estopped from asserting their rights under the '536 patent against Fanuc.

The evidence presented on the issues of laches and estoppel is such that, "if the case were tried tomorrow", [ABB/CM] would [not] have a fair chance of obtaining a verdict." (Palucki, supra at 1573-74). Fanuc is entitled to summary judgment with respect to both laches and estoppel.[32]

NOW THEREFORE, BASED ON THE FOREGOING, IT IS HEREBY ORDERED THAT:

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[32] The dismissal of Case No. 92-C-58 renders moot any and all remaining motions.

1. Defendant GMFanuc Robotics' Motion for Summary Judgment of Laches and Estoppel is Granted; and

2. Case No. 92-C-58 is Dismissed with Prejudice.

Dated at Milwaukee, Wisconsin, this 9th day of August, 1993.

SO ORDERED,

/s/ Rudolph T. Randa
HON. RUDOLPH T. RANDA
U.S. District Judge

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN

ABB ROBOTICS INC.,
and
CINCINNATI MILACRON, INC.,

Plaintiffs,

v.

GMFanuc ROBOTICS CORPORATION,

Defendant.

Case No. 92-C-58

DECISION AND ORDER

This matter comes before the Court on plaintiffs' ABB Robotics, Inc. and Cincinnati Milacron, Inc. (collectively, "ABB/CM") motion pursuant to Fed. R. Civ. P. 59 (e) to alter or amend the judgment entered in this case granting summary judgment of laches and estoppel in favor of the defendant GMFanuc Robotics Corporation ("Fanuc"). For the reasons set

forth below, the motion is denied.

LEGAL ANALYSIS

Judgment entered pursuant to a motion for summary judgment is a dispositive trial court determination and is subject to reconsideration under Fed. Rule Civ. P. 56(e). *Stephenson v. Calpine Conifers II, Ltd.*, 652 F.2d 808 (9th Cir. 1981) *citing, 6 Moore Federal Practice*, p. 56-1549, p. 56.26-1 (2nd ed. 1976; *Parks v. "Mr. Ford"*, 68 F.R.D. 305 (E.D. Pa. 1975). A decision to alter or amend under Rule 59(e) is left to the sound discretion of the trial court. *Leigh v. Engle*, 723 F. Supp. 1272 (N.D. III. 1989). A Rule 59(e) motion may not be used to re-litigate matters already disposed of by the trial court. In re *Oil Spill by Amoco Cadiz*, 794 F. Supp. 261 (N.D. Ill. 1992); *United States v. Western Electric Co.*, 690 F. Supp. 22 (D.D.C. 1988). Instead, recon-

sideration under Rule 59 (e) is permitted in three limited situations: (1) there has been an intervening change in controlling law; (2) there exists new evidence previously unavailable; or (3) clear errors of law require correction or manifest injustice must be prevented. *Deutsch v. Burlington Northern R. Co.*, 983 F.2d 741 (7th Cir. 1992) *cert. denied*, ____ U.S. __, 123 L. Ed. 2d 470, 113 S. Ct. 1845 (1993). ABB/CM have not demonstrated that any of the three situations apply to his case. Rather, ABB/CM's objections merely take issue with the Curt's conclusions. The Court will address those objections.

Exhibit 53.

ABB/CM charge that the Court improperly considered Exhibit 53, attached to Fanuc's reply brief. Exhibit 53, a brochure describing the attributes of the P-150, was submitted by Fanuc and offered in

support of its argument that CM knew of the infringement at the June, 1985 trade show. ABB/CM object to the Court's reliance on this exhibit on three grounds: (1) the right to cross-examine the exhibit was thwarted because Fanuc attached it to their reply brief; (2) the materials do not disclose the inner workings of the P-150; and (3) a foundation is lacking that the documents accompanied the June, 1985 demonstration. In support of their argument, ABB/CM submit the Declaration of Merton D. Corwin ("Corwin"), at one time, Manager of Engineering for Robot Development at Milacron. Corwin states that the brochure would not have disclosed information sufficient to show the inner workings of the P-150.

Fanuc submitted the publications in Exhibit 53 on reply indicating that it had not "retrieved them from [their] records

when [the] motion was filed." (Fanuc's reply in support of its motion for summary judgment, p.2, n.1.). ABB/CM could have moved to strike Exhibit 53 for the reasons now raised, but chose not to. In addition, the opportunity existed for ABB/CM to raise the issue in its reply brief on its cross motion seeking dismissal of Fanuc's motion. Exhibit 53 was submitted by Fanuc on March 1, 1993, approximately two weeks *before* ABB/CM filed its reply. It can not be said on these facts that Fanuc attempted to shield Exhibit 53 from cross-examination.

Finally, ABB/CM overstate the Court's reliance on Exhibit 53. The Court considered Exhibit 53 as <u>one of many</u> pieces of evidence that support the factual finding that CM knew or reasonably should have known of the infringement by the September 18, 1985 meeting. Indeed, the Court

rejected Fanuc's argument that Exhibit 53 alone started the clock running in June of 1985 stating, "[w]hether these publications [Exhibit 53] are detailed enough so that CM knew or should reasonably have known that the P-150 infringed its '536 patent is not clear." (Decision at 7-8).

Eby Declaration

ABB/CM dispute the Court's finding that CM counsel C. Richard Eby ("Eby") raised the issue of infringement at the September, 1985 meeting. In support of this argument, ABB/CM submit Eby's Declaration, executed on August 23, 1993, wherein he states that he does "not believe that he charged that the P-150 wrist infringed the Stackhouse patent" at the September, 1985 meeting. (Eby Declaration, ¶4, Ex. A, attached to ABB/CM's brief). The Eby Declaration is not properly raised on a Rule 59(e) motion

because ABB/CM has not suggested that this is previously unavailable new evidence. ABB/CM's efforts here are an attempt to re-argue an issue of fact already considered by the Court. Having weighed the evidence before it, the Court concluded that only one inference could be drawn, i.e., CM knew or reasonably should have known of the infringement in September of 1985.

Additional Case Law

The cases cited by ABB/CM, *Emhart Industries, Inc. v. Universal Instruments Corp.*, 25 U.S.P.Q.2d (BNA) 1295 (N.D. NY 1992) and *Hemstreet v. Scan-Optics, Inc.*, 26 U.S.P.Q.2d (BNA) 1229 (N.D. III. 1992), represent neither intervening, nor controlling precedent and, therefore, they can not be entertained on a Rule 59 (e) motion. Even if considered, the cases do not demonstrate that this Court made clear

errors of law.

Discovery

As their final argument, ABB/CM argue that their inability to overcome the presumption of economic prejudice was a result of the, "Court's failure to decide a motion to stay discovery pending before this Court for more than one year." (ABB/CM's brief at 17).[1] First, while it is true that ABB/CM was foreclosed from additional discovery, further discovery on this issue would not have precluded summary judgment. For example, evidence supplied by Fanuc, under the Protective Order, disclosed that unit sales *tripled* during the period of delay. Considering the Court's ruling that economic prejudice

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[1] Although perhaps pending in the Eastern District for this period of time, ABB/CM apparently are unaware that Case No. 92-C-58 was transferred to this Court from another Court within the District.

may be shown by "evidence of either loss of investment expenditures or damages (from increasing sales) which might have been prevented by an earlier suit" (Decision and Order at 21), the outcome would not be altered. ABB/CM's principle attack on the sales figures was that a "...mere doubling of sales over five years is not the type of expansion that can constitute economic detriment." (ABB/CM's cross motion at 15). Only now, after summary judgment has been entered, do ABB/CM challenge the nature and authenticity of these figures. (ABB/CM's brief at 15-17). The Court simply rejected ABB/CM's argument that the figures represented a "mere doubling" of unit sales. It held that a tripling of sales during the period of delay supported a finding of economic

prejudice.[2] ABB/CM were not prejudiced by these findings.

Finally, because a showing of material prejudice is the same under both estoppel and laches, Fanuc's successful showing of material prejudice on its estoppel defense (where there is no presumption) necessarily means that it would have met its burden with respect to laches. Therefore, assuming that ABB/CM obtained the additional discovery and overcame the presumption of laches, Fanuc still would have prevailed.

ABB/CM have failed to establish any basis under Fed. R. Civ. P. 59(e) to alter or amend this Court's Decision and Order

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[2] Also the opinion clearly stated that economic prejudice requires that such damages or monetary losses are "because of and as a result of" the delay. (Decision and Order at 21, citing *Aukerman* and *Hemstreet*.)

of August 9, 1993. The motion is denied.[3]

NOW THEREFORE, BASED ON THE FOREGOING, IT IS HEREBY ORDERED THAT:

ABB/CM's motion pursuant to Fed. R. Civ. P. 59(e) is DENIED.

Dated at Milwaukee, Wisconsin, this 26th day of April, 1994.

SO ORDERED,

/s/ Rudolph T. Randa
HON. RUDOLPH T. RANDA
U.S. District Judge

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[3] A Rule 59(e) motion suspends the finality of a judgment for purposes of appeal, and the full time for appeal commences to run anew from the entry of the order disposing of the motion. *Arnold v. Sullivan*, 131 F.R.D. 129, 131 (N.D. Ind. 1990).

UNITED STATES COURT OF
APPEALS FOR THE FEDERAL CIRCUIT

94-1334

ABB ROBOTICS INC. AND
CINCINNATI MILACRON, INC.,

Plaintiffs-Appellants,

v.

GMFanuc ROBOTICS CORPORATION,

Defendant-Appellee.

O R D E R

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on May 29, 1995.

FOR THE COURT,
FRANCIS X. GINDHART,
CLERK

Dated: May 22, 1995

By /s/ Diane M. Frye
Diane M. Frye
Chief Deputy Clerk

FILED
U.S. COURT OF APPEALS
FOR THE FEDERAL CIRCUIT
MAY 22, 1995
FRANCIS X. GINDHART, CLERK

MOTION OF APPELLANTS FOR RECALL OF MANDATE DUE TO CONFLICT OF FEDERAL CIRCUIT DECISIONS

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

94-1334

ABB ROBOTICS INC. AND
CINCINNATI MILACRON, INC.,

Plaintiffs-Appellants,

v.

GMFanuc ROBOTICS CORPORATION,

Defendant-Appellee.

APPEAL FROM A DECISION OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF WISCONSIN IN 92-CV-58 ENTERED APRIL 26, 1994, JUDGE RUDOLPH T. RANDA.

FILED, COURT OF APPEALS,
THE FEDERAL CIRCUIT
JULY 25, 1995
FRANCIS X. GINDHART, CLERK

THE MOTION IS DENIED. COSTS ON MOTION TO APPELLEE GMFanuc ROBOTICS CORP.

FOR THE COURT,

/s/ Francis X. Gindhart
FRANCIS X. GINDHART, July 25, 1995

BRIEF OF APPELLEE
(ON APPEAL TO FEDERAL CIRCUIT P. 13)

IV. ARGUMENT

GMFanuc agrees that this Court's standard of review of the district court's summary judgment of laches and estoppel is *de novo*. However, it is worth re-emphasizing that a genuine issue of material fact precluding summary judgment exists only where the evidence is such that a trier of fact could reasonably find for the non-moving party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). The significance of this requirement of evidence, not simply argument, will become apparent in the analysis below.

* * *

(2)

Supreme Court, U.S.
FILED
SEP 21 1995
CLERK

No. 95-298

In The
SUPREME COURT OF THE UNITED STATES
October Term, 1995

ABB ROBOTICS, INC. and
CINCINNATI MILACRON, INC.,

Petitioners,

v.

GMFanuc ROBOTICS CORP.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RESPONDENT'S OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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September 20, 1995

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I. QUESTION PRESENTED

Did the U.S. Court of Appeals for the Federal Circuit properly apply a *de novo* standard of review in affirming the District Court's entry of summary judgment where the Federal Circuit held that no material facts were in dispute, that the relevant law had been properly applied to the undisputed facts, and that the District Court's judgment was correct?

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III. TABLE OF AUTHORITIES

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A. Case Law

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B. Rules

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IV. STATEMENT OF THE CASE

Contrary to the assertion of the Petitioners, ABB Robotics, Inc. and Cincinnati Milacron, Inc. ("ABB" and "CM"), the U.S. Court of Appeals for the Federal Circuit applied a *de novo* standard of review in affirming the summary judgment of estoppel entered by the U.S. District Court for the Eastern District of Wisconsin against ABB/CM. As is apparent from its opinion, the Federal Circuit held that no material facts were in dispute and that the relevant law of estoppel had been properly applied to the undisputed facts. (2a-6a, 8a, 10a).

Estoppel being an equitable defense, the Federal Circuit then examined whether the District Court acted within its discretion in giving effect to that

defense. (4a, 7a, 8a). The Federal Circuit determined not only that the District Court had properly acted within its discretion, but also independently held that the Respondent, GMFanuc Robotics Corp. ("GMFanuc")[1], was entitled to judgment as a matter of law. (7a, 9a, 12a).

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[1] GMFanuc was a joint venture between General Motors Corp. and Fanuc Ltd. After the filing of this lawsuit, General Motors Corp. sold its entire interest to Fanuc Ltd. and GMFanuc was re-named Fanuc Robotics Corp. Fanuc Ltd. is the parent company of Fanuc Robotics Corp.

V. THE PETITION FOR WRIT OF CERTIORARI SHOULD BE DENIED

ABB/CM argue that their Petition For Writ Of Certiorari should be granted for four reasons:

(1) The decision conflicts with prior decisions of this Court;

(2) The decision conflicts with decisions from other U.S. Courts of Appeals;

(3) The decision conflicts with other contemporaneous decisions of the U.S. Court of Appeals for the Federal Circuit; and

(4) The decision departs from textbook law, calling for an exercise of this Court's power of supervision.

None of ABB/CM's arguments are valid, and the Petition should therefore be denied.

VI. SUMMARY OF THE ARGUMENT

The Federal Circuit properly reviewed the District Court's entry of summary judgment against ABB/CM on the grounds of estoppel *de novo*, finding that there were no issues of material fact and that the relevant law had been properly applied. (2a-6a, 8a, 10a). The Federal Circuit then properly applied an abuse of discretion standard of review only to the District Court's discretionary decision giving effect to the equitable defense. (4a, 7a, 8a). Indeed, after reviewing the facts and the law of estoppel *de novo*, the Federal Circuit actually reviewed the District Court's discretionary decision *de novo* as well, repeatedly expressing its agreement with that decision. (7a, 9a, 12a).

VII. ARGUMENT

In reviewing an entry of summary judgment, an appellate court must place itself in the position of the trial court and review *de novo* whether there are any genuine issues of material fact. If not, the appellate court must then review *de novo* whether the moving party is entitled to judgment as a matter of law under the applicable substantive law. Fed.R.Civ.P. 56(c); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-52 (1986); *C. Sanchez And Son, Inc. v. U.S.*, 6 F.3d 1539, 1541-42 (Fed. Cir. 1993); *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1039 (Fed. Cir. 1992) (*en banc*). Where the underlying relief is equitable in nature, however, the ultimate decision as to the availability of that relief is

discretionary. Appellate review of such a decision is therefore undertaken according to an abuse of discretion standard. *Aukerman*, 960 F.2d at 1028, 1039, 1041, 1043.

As is apparent from its opinion, the Federal Circuit reviewed the facts of this case and the substantive law applied thereto *de novo*.[2] Like the District Court before it, the Federal Circuit held that the material facts were undisputed. Among the most important: i) CM charged GMFanuc with infringement of the patent-in-suit in September of 1986, yet thereafter decided not to sue and took no further action (2a,

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[2] As ABB/CM admit in their Petition, courts often apply *de novo* review without explicitly reciting that standard. *See*, ABB/CM Petition For Writ Of Certiorari, pp. 9-10. Such is the case here.

5a, 8a); ii) GMFanuc's then-parent, General Motors, was CM's largest single customer and GMFanuc knew of that relationship (6a, 8a)[3]; iii) CM refused to license GMFanuc under the patent-in-suit (8a); iv) GMFanuc significantly expanded its allegedly infringing activity during CM's inaction (10a); and v) GMFanuc halted production of a different product it determined might infringe the patent-in-suit and took a license under other CM patents, thereby modifying its behavior to avoid infringement (2a, 3a, 6a, 8a, 10a).[4]

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[3] [4] ABB/CM's Appendix attached to their Petition omits at pages 6a and 10a the text from the Federal Circuit's opinion supporting these facts. That text appears in *ABB Robotics, Inc. v. GMFanuc Robotics Corp.*, 52 F.3d 1062 (Fed. Cir. 1995) at pages 1064-65.

Like the District Court before it, the Federal Circuit also held that the law of equitable estoppel had been properly applied to the undisputed facts. In that regard, the Federal Circuit noted that estoppel arises where: (i) the patentee leads the alleged infringer to reasonably infer that the patentee does not intend to enforce the patent against the alleged infringer; (ii) the alleged infringer relies on the patentee's conduct; and (iii) due to its reliance, the alleged infringer will be materially prejudiced if the patentee is now permitted to proceed with an infringement suit. (3a-7a, 9a-12a).[5] *Aukerman*, 960 F.2d at 1028.

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[5] Once again, ABB/CM's Appendix omits at page 10a the text from the Federal Circuit's opinion wherein the Federal

(continued...)

Having held, after *de novo* review, that there were no issues of material fact and that the law of estoppel had been properly applied, the only decision remaining for the Federal Circuit was whether the undisputed facts gave rise to estoppel such that GMFanuc was entitled to judgment as a matter of law. Indeed, that was the only dispute between the parties. ABB/CM and GMFanuc have never disputed the underlying facts or the law outlined above.

Estoppel being an equitable defense, the Federal Circuit properly reviewed the

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[5](...continued)
Circuit expressly agreed with the District Court's legal interpretation of the material prejudice element of equitable estoppel. That text appears in *ABB Robotics*, 52 F.3d 1062 at page 1065.

District Court's discretionary decision giving effect thereto for abuse. (4a). *Aukerman*, 960 F.2d at 1028, 1039, 1041, 1043.[6] In light of the undisputed facts, the Federal Circuit held that the District Court acted within its discretion when it

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[6] Indeed, in *Aukerman*, an *en banc* decision reviewing an entry of summary judgment of laches and estoppel, the Federal Circuit explicitly stated that:

> On appeal the standard of review of the conclusion of [an equitable defense] is abuse of discretion.
>
> * * *
>
> If the decision on [the equitable defense] is made on summary judgment, there must, in addition, be no genuine issues of material fact, . . . and all pertinent factors must be considered.
>
> 960 F.2d at 1039 (emphasis added) (citations omitted).

entered summary judgment against ABB/CM. (7a, 8a).

Significantly, however, the Federal Circuit went further, reviewing the District Court's discretionary decision giving effect to GMFanuc's estoppel defense *de novo* as well. Substituting its own discretion for that of the District Court, the Federal Circuit held that the District Court's judgment was correct. (12a). Based again on the undisputed facts, the Federal Circuit expressly agreed with the District Court that CM's conduct led GMFanuc to reasonably infer that CM would not enforce the patent-in-suit (7a), that GMFanuc relied on CM's conduct (9a), and that GMFanuc would be materially prejudiced if ABB/CM were now allowed to sue (12a).

Thus, contrary to ABB/CM's argument, the Federal Circuit's decision does not conflict with textbook law, or the decisions of this Court or any other. Having failed to satisfy any of the considerations detailed in Supreme Court Rule 10 governing review on a writ of certiorari, ABB/CM's Petition should be denied.

VIII. CONCLUSION

For the foregoing reasons, ABB/CM's Petition For Writ Of Certiorari should be denied.

Respectfully submitted,

Brooks & Kushman P.C.

By: /s/

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Dated: September 20, 1995

Supreme Court, U.S.
FILED
OCT 4 1995
CLERK

(3)

No. 95-298

IN THE SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1995

ABB ROBOTICS INC. AND
CINCINNATI MILACRON, INC.,

Petitioners,

v.

GMFanuc ROBOTICS CORPORATION,

Respondent.

Petition for Writ of Certiorari
to the United States Court of
Appeals for the Federal Circuit

REPLY IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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I. ARGUMENT

Petitioners ABB Robotics Inc. et al. ("ABB") respectfully reply to the Opposition of GMFanuc Robotics Corporation ("GMFanuc"), beginning with amazement that Fanuc can now say that the U.S. Court of Appeals for the Federal Circuit applied a de novo standard of review rather than the abuse of discretion standard it clearly articulated in reviewing the grant of summary judgment by the district court below.

Fanuc admits, as it must, that the correct standard of review is de novo, but takes the utterly unsupported position that the Federal Circuit applied such de novo review. That is indeed strange, because the Court of Appeals kept talking about abuse of discretion. It never mentioned the words de novo, nor did it say anything that indicated that it had examined the record anew. See, e.g., United States v. Diebold, Inc., 369 U.S. 654, 655, 82 S.Ct. 993, 994 (1962).

Instead, every syllable uttered by the Court of Appeals indicates that its review was under an abuse of discretion standard. For example, it said:

> Being an equitable doctrine, estoppel is committed to the sound discretion of the trial judge whose decision [granting summary judgment] we review under the abuse of discretion standard. (4a, 52 F.3d 1063).

* * *

The trial court's finding of misleading action was not an abuse of discretion. (7a-8a, 52 F.3d 1064)

Rather than simply having twice used the term, abuse of discretion, the entire opinion of the Court of Appeals is tinctured with that standard of review. For example, the Court continually referred to findings made by the district court. In this decision that occupies four pages in F.3d, the Court of Appeals used the terms "found" or "finding" or their equivalent at least 16 separate times with reference to the district court's decision.

Making findings is an improper exercise of a lower court's function on summary judgment: "... at the summary judgment stage the judge's function is not himself to weigh the evidence and to determine the truth of the matter but to determine whether there is a genuine issue for trial." Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 249, 106 S.Ct. 2505, 2511 (1986). Such references to lower court "findings" and the propriety thereof are indicative of the application of the abuse of discretion standard.

Were this case to have been considered de novo by the Court of Appeals, it would not have repeatedly referenced what the lower court found; it would have examined the record anew and made its own determination of that which a Court should do on summary judgment: determine whether there are any genuine issues of material fact to be "found" at trial. Yet

nowhere in its opinion does the Federal Circuit refer to de novo review or the key to summary judgment: genuine issues of material facts.

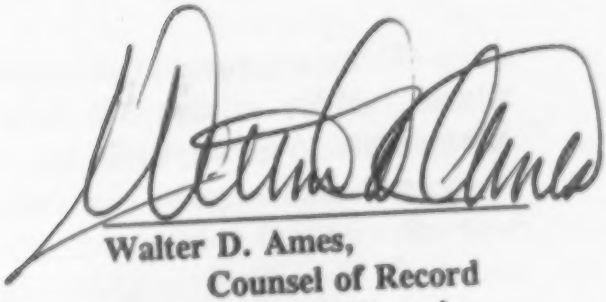
There were many issues of fact still to be determined. A list of material facts in genuine issue is annexed hereto as Appendix 99a to 100a. Those issues were unaddressed by the Court of Appeals.

II. CONCLUSION

It is clear that the Federal Circuit reviewed the lower court's grant of summary judgment under an abuse of discretion standard. After all, that is precisely what the Federal Circuit said, while eschewing a search for genuine issues of material fact. That was pure, unadulterated error, as respondent apparently now agrees.

This petition for issuance of a writ of certiorari to the U.S. Court of Appeals for the Federal Circuit should be granted. The judgment below should be vacated and the case remanded to that Court with instructions that it review the district court's grant of summary judgment under a de novo, rather than abuse of discretion, standard.

Respectfully submitted,



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APPENDIX

GENUINE ISSUES OF MATERIAL FACT

Regarding: Material Economic Prejudice

1. During the period of plaintiff's alleged silence, did the expenditures of defendant in filing patent applications and developing the P-155 robot constitute material economic prejudice when such expenditures were never quantified and defendant made no showing that those expenditures exceeded the profits from its infringing sales?

Regarding: Actual Reliance

2. Rather than relying on plaintiff's silence, did defendant rely on the advice of David Syrowik, an attorney with Brooks & Kushman, counsel to defendant, who asserted to plaintiffs that defendant did not infringe the patent-in-suit?

3. Rather than relying on plaintiffs' silence, did defendant rely on the opinion of its senior engineer, Dr. Hadi Akeel, who also was of the opinion that defendant did not infringe the patent-in-suit?

4. Has defendant offered a shred of documentary evidence from which its reliance on plaintiffs' inaction could be inferred?

Regarding: The Period of Silence

5. During the period of plaintiffs' alleged silence, balancing all of the factors, including its knowledge of plaintiffs' patent, did defendant have an equitable burden to contact plaintiffs to determine whether plaintiffs

intended to enforce their patent rights before defendant substantially expanded its sales of accused apparatus?

Regarding: A Nexus Between the Delay and Damages

6. Had the action been commenced earlier, would defendant had avoided later incurred "damages?"

7. Had the present action been commenced earlier, would defendant have altered its infringing activities and instead manufactured and sold a non-infringing apparatus?

8. Even after litigation had commenced, did defendant continue its infringing activities rather than change to an alternate, non-infringing apparatus?